





Lesson Plan

Income – Social Security Benefits; Form 1040, Line 20a

Time Required: 30 minutes

Introduction	Objectives	Topics
Some taxpayers may have income from social security or equivalent railroad retirement benefits. This lesson helps volunteers determine whether this income is taxable or not.	<p>Determine the taxable portion of social security and railroad retirement benefits.</p> <p>Determine the most advantageous method of reporting lump-sum social security benefits.</p> <p>Report social security and railroad retirement benefits on the tax return.</p>	  <p>Social Security and Railroad Retirement Benefits</p> <p>Finding the Taxable Portion</p> <p>Lump-Sum Benefit Payments</p>

Key Terms

Annuity: A series of payments under a contract from an insurance company, a trust company, or an individual. Annuity payments are made at regular intervals over a period of more than one year.

Pension: A series of definitely determinable payments made to an employee or survivor (the beneficiary of a deceased employee's pension) after the employee retires from work.

Railroad Retirement Benefits (RRBs): Benefits paid to railroad employees working in jobs that are covered by the Railroad Retirement Act. The RRA has two components. Tier 1 is the equivalent of social security benefits and Tier 2 is like an employer's pension plan.

Social Security Benefits: Payments made under Title II of the Social Security Act. They include old-age, survivors, and disability benefits.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxWise on entering the taxpayer's main information.	TaxWise® Demo: From the Practice Lab, select : <ul style="list-style-type: none"> • TaxWise IRS training • TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu • Click the Main Information button
Provide details and engage the students	<p>Discuss all tips and cautions in detail.</p> <p>Ask students to read and/or role-play examples and sample interviews.</p> <p>Review answers to each exercise; ask students how they arrived at their answers.</p>	Internet: Link & Learn Taxes (L<) Income – Social Security Benefits

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	<p>Review lesson objectives.</p> <p>Point out where social security benefits are disclosed on the intake and interview sheet.</p> <p>Show where social security benefits are reported on Form 1040.</p> <p>Review list of references.</p> <p>State the presentation time.</p>	<p>Visual:</p> <p>Form 13614-C, Page 2, Part III</p> <p>Form 1040, Page 1, line 20a</p> <p>Internet:</p> <p>FAQ: Social Security Income</p> <p>Tax Map: Social Security and Railroad Retirement Benefits</p>

Social Security and Railroad Retirement Benefits	<p>Discuss the types of social security benefits:</p> <ul style="list-style-type: none"> • Old-age, survivor, and disability insurance (OASDI) • Monthly retirement <p>Ask students to name the two types of Railroad Retirement Benefits (RRBs):</p> <ul style="list-style-type: none"> • Tier 1 (social security equivalent benefits) • Tier 2 (treated as a qualified employee plan) <p>Show Forms SSA-1099 and RRB-1099 to illustrate how benefits are reported to taxpayers</p> <p>Review TaxWise screen entries using Pub 4012, Railroad Retirement, Civil Service, and Social Security Benefits</p>	<p>Visuals:</p> <p>Form SSA-1099, Social Security Benefit Statement</p> <p>Form RRB-1099, Payments by the Railroad Retirement Board (blue form)</p> <p>Pub 4012, Income tab:</p> <ul style="list-style-type: none"> • 1099-R Worksheet • Railroad Retirement, Civil Service, and Social Security Benefits <p>Pub 17, Chapter 11, Social Security and Equivalent Railroad Retirement Benefits</p> <p>TaxWise Demo:</p> <ul style="list-style-type: none"> • Show Railroad Retirement, Civil Service, and Social Security Benefits • Link to Form 1040 worksheet for 1099-RRB and SSA-1099
Finding the Taxable Portion	<p>Discuss when social security benefits are taxable; provide examples.</p> <p>Walk through the steps in the Social Security Benefits Worksheet.</p>	<p>Visuals:</p> <p>Form 1040 Instructions, Social Security Benefits Worksheet</p>
Lump-Sum Benefit Payments	<p>Explain that the lump-sum election method is in scope this year.</p> <p>Discuss the two options for reporting lump-sum benefit payments:</p> <ul style="list-style-type: none"> • Reporting the entire payment in the year it was received • Treating the benefits as received in the earlier year or years if it lowers the taxable portion of the benefits 	<p>Internet:</p> <p>Form SSA-1099, Social Security Benefit Statement</p> <p>Form RRB-1099, Payments by the Railroad Retirement Board (blue form)</p> <p>Pub 915, Social Security Benefits and Equivalent Railroad Retirement Benefits</p>

Summary	<p>Review the lesson summary.</p> <p>Remind students that generally social security benefits are not taxable when the benefits are the taxpayer's only source of income. (Note the exception for married filing separately.)</p> <p>Ask: How is the taxable portion of benefit payments calculated? Answer: By using the Social Security Benefits Worksheet.</p> <p>Review how to handle lump-sum benefit payments.</p>	<p>Visuals:</p> <p>Form 1040 Instructions, Social Security Benefits Worksheet</p> <p>L&LT Income – Social Security Benefits, Summary</p> <p>L&LT Income – Social Security Benefits: Click Assessments icon to review Summary and Exercises</p>
Practice	<p>Select a practice exercise in Pub 4491-W to use for entering social security income information.</p> <p>Ask students to select the problem based on their certification course of study.</p> <p>Verify students have correctly entered the information on line 20a.</p>	<p>Publication 4491-W Basic Comprehensive Problem and Practice Exercises</p> <p>Publication 4491-W Advanced Comprehensive Problem and Practice Exercises</p>

References

L<	Income – Social Security Benefits
Form 1040	Form 1040 , Line 20a
Form 1040 Instructions	Form 1040 Instructions , Social Security Benefits Worksheet
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Page 2, Part III
Pub 4012	Pub 4012, Volunteer Resource Guide, Income tab 1099-R Worksheet Railroad Retirement, Civil Service, and Social Security Benefits
Pub 17	Pub 17 , Chapter 11, Social Security and Equivalent Railroad Retirement Benefits

Optional

Pub 575	Pub 575 , Pension and Annuity Income
Pub 915	Pub 915 , Social Security Benefits and Equivalent Railroad Retirement Benefits
Form RRB-1099	Form RRB-1099 , Payments by the Railroad Retirement Board
Form RRB-1099-R	Form RRB-1099-R, Annuities or Pensions by the Railroad Retirement Board
Form SSA-1099	Form SSA-1099 , Social Security Benefit Statement

Recommended Classroom Activities



Tax Facts



Assessments

Media: Videos
& AudioTaxWise
Tutorial

Job Aids

Practice
Lab**Tax Facts: Link & Learn Taxes Income – Social Security Benefits**

Click Tax Facts as a new way to access Link & Learn Taxes Income – Social Security Benefits.

**Assessments – Summary and Exercises**

Click Assessments as a new way to access the Summary and Exercises in Link & Learn Taxes Income – Social Security Benefits.

**YouTube video:**

There is no media associated with this topic.

**TaxWise Tips and Resources for Lesson**

TaxWise screen	Link to Form 1040 worksheet for 1099-RRB and SSA-1099
Practice Lab Tutorial	From the Practice Lab, select: <ol style="list-style-type: none"> 1. TaxWise IRS training 2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu 3. Click the Main Information button
TaxWise Solution Center	https://support.taxwise.com/



Job Aids

ITA and FAQs for Lesson

Interactive Tax Assistant	Are My Social Security or Railroad Retirement Tier I Benefits Taxable? http://www.irs.gov/uac/Are-My-Social-Security-or-Railroad-Retirement-Tier-I-Benefits-Taxable%3F
Tax Map	Social Security and Railroad Retirement Benefits http://taxmap.ntis.gov/taxmap/taxtp/Tt400_12-019.htm#857
FAQs	Social Security Income http://www.irs.gov//Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Social-Security-Income
Tax Topics	Topic 423 – Social Security and Equivalent Railroad Retirement Benefits http://www.irs.gov/taxtopics/tc423.html
References	References for L< Income – Social Security Benefits http://apps.irs.gov/app/vita/content/14/references.jsp



Practice Lab

Practice Lab	http://www.voltaxprep.com/
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